

Citizens Initiative (1A)

The MMA Citizen's Initiative:

- **Requires the state to immediately fund 55% of total K-12 Education costs.**

By June 30, 2004 the Legislature must have a plan to achieve the 55% share for FY2004-05 school year. Based on what municipalities are projected to spend on local education for FY2004-05 the total new state revenue required above the currently enacted FY2004-05 state budget would be \$264 million

- **Requires the state to immediately fund 100% of prior year unreimbursed special education expenditures.**

FY2004-05 state subsidy to each School Administrative Unit (SAU) would have to include all unreimbursed special education expenditures from FY2003-04 regardless of each unit's ability to pay. The amount necessary to meet this requirement for FY2004-05 is projected to be \$100 million and is part of the \$264 million above.

The 100% special education reimbursement requirement is included in the state's 55% share but would not be distributed using the current "ability to pay" distribution formula.

- **Requires annually that 2% of the state's General Purpose Aid (GPA) to local schools be dedicated to SAU's that can demonstrate significant and sustainable savings in the cost of delivering educational services through changes in the administrative structure and that result in the creation of consolidated school administrative districts.**

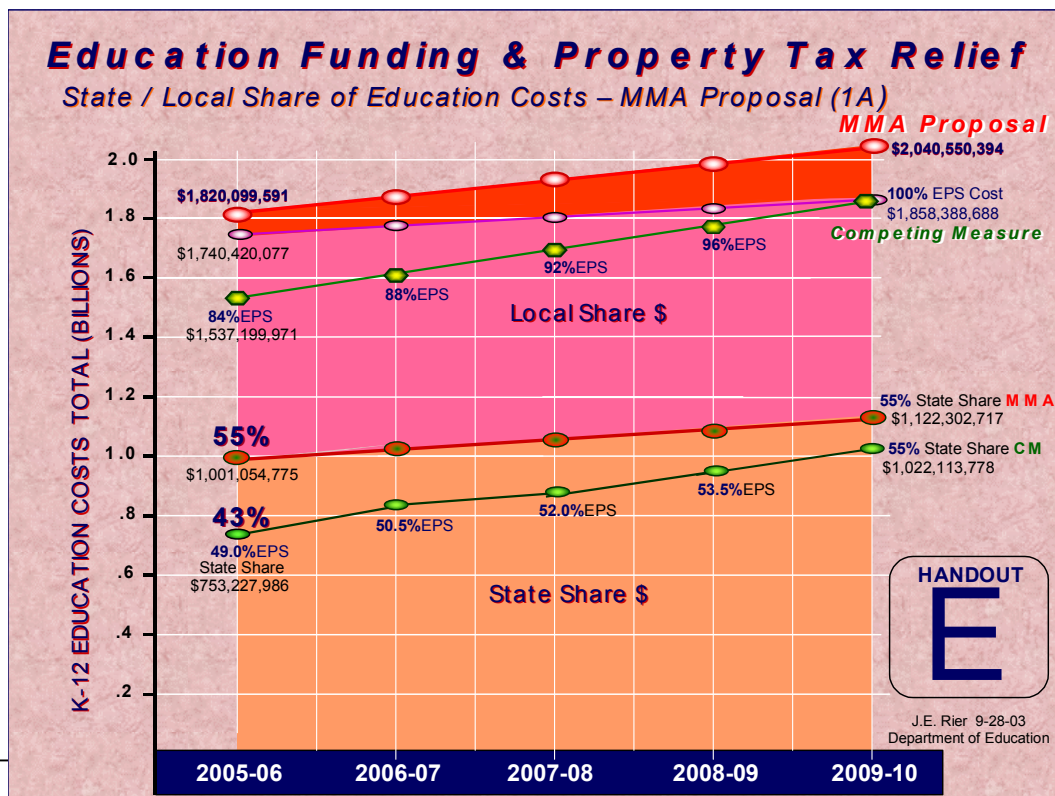
The 2% annual dedication requirement, approximately \$20 million and growing each year, would be included in the state's 55% share but would not be available for distribution through the current "ability to pay" distribution formula.

- **Requires annually that 2% of state's municipal revenue sharing funds be dedicated to the "Fund for the Efficient Delivery of Local and Regional Services,"** which will be distributed to those municipalities that demonstrate significant and sustainable savings in the delivery of local and regional governmental services through collaboration with other local and regional governments.

Key Education Funding Components

In the Maine Municipal Association Citizen's Initiative (1A)

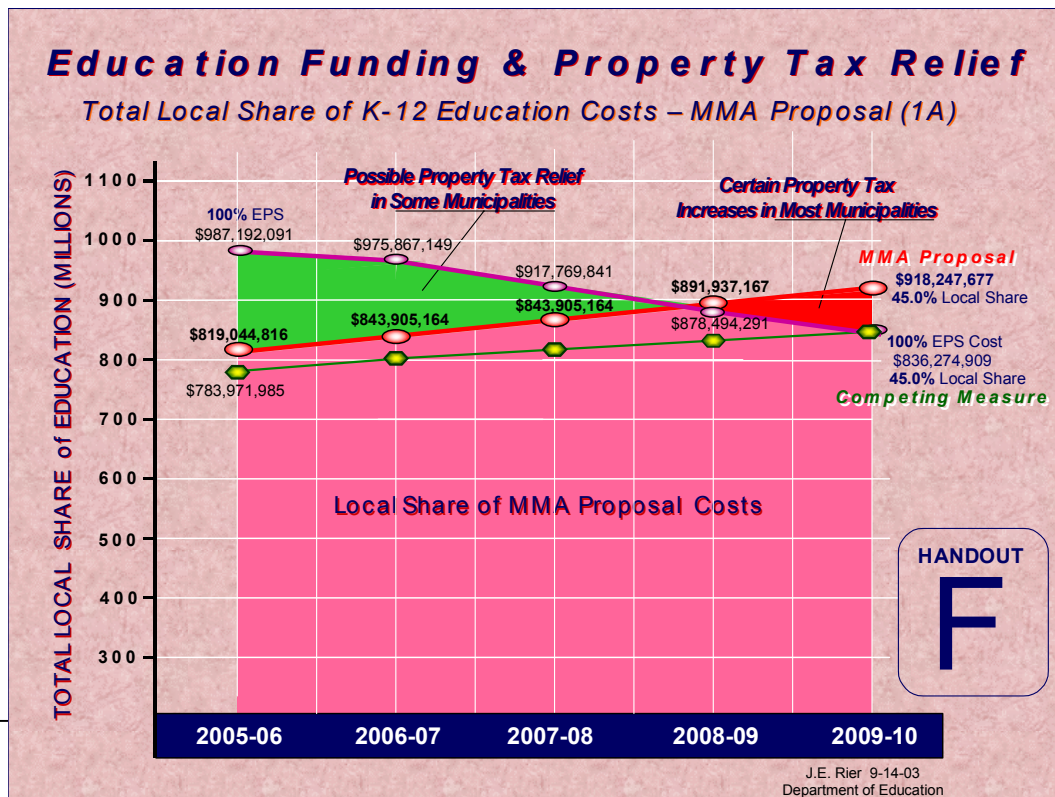
The MMA Citizen's Initiative requires the state to immediately fund 55% of the total K-12 education allocation. By June 30, 2004, the Legislature would be required to have a funding plan in place that would include defining the total allocation and then the revenue source(s), to achieve the 55% state share for the FY2004-05 school year. The Citizen's Initiative also requires the state to immediately fund 100% of all prior year unreimbursed special education expenditures. The projected costs associated with the MMA proposal are higher than the Competing Measure at the outset and grow at a more rapid rate over the five-year period and into the future due to the 100% special education model.



- ✓ The total costs for the MMA Proposal (w/100% special education requirement) are projected to grow from \$1.82 billion in FY2006 to \$2.04 billion in FY2009-10
- ✓ The increased state support must begin immediately in FY2004-05 but is compared here over the same five-year period as the Competing Measure
- ✓ The state share of a New Allocation Model is required to be 55% OR \$1.001 billion in FY2005-06 and increases to \$1.122 billion in FY2009-10

Local Share Projections

The MMA Citizens Initiative approach of including 100% of unreimbursed special education costs inside the 55% state share requirement is a major change in fiscal policy for special education. It may result in some tax relief in the first couple of years but will then lead to greater local costs and certain property tax increases in the future. The increased growth associated with a 100% reimbursable model will impact both state and local funding commitments. The new growth becomes part of the total cost of K-12 education that is ultimately shared 55% state and 45% local even though the state is required to reimburse 100% of the special education costs. For every dollar increase in growth associated with the 100% model, local taxpayers will be required to pick up 45¢ in new share of the non special education costs. Most of that new local share impact will be on median to high subsidy receivers.



- ✓ The local share, 45% of total costs, for the MMA Proposal is projected to increase from \$819 million in FY2005-06 to \$918 million by FY2009-10
- ✓ The statewide local share of costs is reduced by \$168 million in FY2005-06 when compared to the local share of 100% of EPS defined costs (\$987 million)
- ✓ That advantage diminishes annually until FY2008-09 when MMA projected local share begins to exceed the local share for the Competing Measure
- ✓ In FY2009-10 the local share of all costs associated with the MMA proposal exceeds that of the Competing Measure by \$82 million even though the Competing Measure will have recognized 100% of EPS defined costs and achieved a 55% state share

Special education has been, and should continue to be, administered at the local level. Program refinements should be driven by student needs that are supported by an appropriate, adequate, and fiscally prudent means of providing services. A 100% reimbursement for all costs incurred at the local level will not support comprehensive reform nor lead to new cost effective approaches to meet student needs. Effective reform won't happen and costs will grow even faster. Special education must be a shared responsibility and undergo collaborative reform.

The State Board of Education and Department of Education, with assistance from the Maine Education Policy Research Institute (MEPRI) are currently preparing recommendations for a new special education model to become part of Essential Programs and Services (EPS). After consideration and approval by the State Board the changes will be presented to the second Session of the 121st legislature to become a part of the scheduled EPS model implementation in FY2005-06. Those efforts could be impacted by a new requirement for 100% reimbursement of all expenditures for special education as proposed in the MMA Citizens Initiative.